

## **UPDATE – Michigan Department of Community Health**

### **Part D – The Medicare Drug Benefit**

The *Medicare Prescription Drug, Improvement, and Modernization Act of 2003* (MMA) enacted a voluntary prescription drug benefit for Medicare. Called Part D, this new benefit has dramatic financial and administrative impacts on states. To update Michigan legislators, MDCH is providing crucial Part D background, followed by MDCH responses to checklist items that the Centers for Medicare and Medicaid Services (CMS) identified as important for state legislators.

#### **Part D Replaces Medicaid Prescription Drug Coverage for Dual Eligibles – No Medicaid Federal Funding**

- Effective January 1, 2006, beneficiaries enrolled in both Medicaid and Medicare (*dual eligibles*) will receive Part D drugs from Medicare – not Medicaid.
- Medicaid federal funding will *not* be available for Part D covered drugs or related beneficiary cost sharing.

#### **Dual Eligible Enrollment Into Part D – Six Weeks between November 15, 2005 and December 31, 2005**

- CMS will assign a Part D plan to the 6.4 million dual eligibles across the nation – including nearly 200,000 in Michigan. Assignment will be random into the Part D prescription sponsors in Michigan.
- During June 2005, CMS will send the dual eligibles a letter explaining the transition to Part D and another letter in October 2005 providing their new plan assignment. Dual eligibles may switch to other Part D plans at any time after November 15, 2005.
- While other beneficiaries have six months, the initial enrollment period for dual eligibles is the six weeks from November 15, 2005 to December 31, 2005 – when Medicaid coverage ends.

#### **Phased-Down State Contribution**

- Although the dual eligibles will be receiving their prescriptions through Part D, states are still responsible for funding this benefit. Each month starting January 2006, a state must make a per-capita payments to CMS based on the number of its dual eligibles enrolled in Part D. This state contribution, often called the Phased-Down State Contribution (PDSC), is based on calendar year 2003 per-capita pharmacy costs – projected forward using national trends.
- The PDSC formula is complex and many questions have been raised whether using 2003, as the base year will reflect a state's actual spending in 2006.
- CMS will be providing states their phased-down state contribution amounts in October 2005. For 2006, states are required to pay 90% of the projected amount. This adjustment factor is lowered each year until 2015 where it remains constant at 75%.
- The PDSC goes on forever – it phases down but never phases out.

## **Part D Prescription Drug Plans and Covered Drugs – Each Plan Will Have A Different Formulary**

- MMA requires that CMS contract with risk-bearing prescription drug plans to administer Part D. Beneficiaries will have a choice of at least two Part D plans in a region. Michigan is a single-state region.
- Each Part D plan is expected to use its own list (or formulary) of preferred Part D drugs.
- CMS is reviewing plan formularies to assure beneficiaries receive clinically appropriate medications at the lowest possible cost and to assure access to medically necessary medications without discriminating against any particular type of beneficiary.<sup>1</sup>

## **Part D Low-Income Subsidies for Dual Eligibles**

- Part D provides substantial financial assistance for dual eligibles referred to as low-income subsidies (LIS).
- CMS will pay dual eligible Part D premiums (up to weighted average benchmark).
- Unlike the standard benefit, dual eligibles do not have a gap in coverage or cost sharing after a catastrophic threshold. Also, coinsurance requirements are replaced with the following copayments based on income. After 2006, these copays will be indexed annually. Current Medicaid copays are \$1 (generic) and \$3 (brands) for non-institutionalized duals.

### **Part D Copays for Dual Eligibles in 2006**

Income based on Federal Poverty Level (FPL)	Generic Copay	Brand Copay	Comments
Under 100% FPL	\$1	\$3	Michigan Medicaid's Current Level
100% FPL and Over	\$2	\$5	
Dual eligibles residing in nursing home – any income level	\$0	\$0	

- Part D has other subsidies available for individuals with incomes under 150% FPL, who are not dual eligibles. Beginning July 1, 2005, the Social Security Administration and states are required to take applications for these Part D subsidies. Also, the Social Security Administration will be sending applications to potential eligible individuals during May 2005.

## **Other Part D Information**

More information on Part D is available on the CMS website at: [www.cms.hhs.gov/medicarereform/pdbma](http://www.cms.hhs.gov/medicarereform/pdbma).  
Contact Information is available from the Michigan Department of Community Health at (517) 241-7882.

<sup>1</sup> Medicare Modernization Act Final Guidelines – Formularies, CMS Strategy for affordable Access To Comprehensive Drug Coverage, Guidelines for Reviewing Prescription Drug Plan Formularies and Procedures. Available at: [www.cms.hhs.gov/medicarereform/pdbma](http://www.cms.hhs.gov/medicarereform/pdbma)

## CMS Checklist for State Legislators with MDCH Comments

### CMS Checklist Item

### Comments from the Michigan Department of Community Health

State Pharmacy Assistance Programs (SPAPs)	
1. Does your state have a state pharmaceutical assistance program in operation and did law establish it?	Yes. Michigan operates a state pharmaceutical assistance program called the Elder Prescription Insurance Coverage (EPIC). Public Act 499 of 2000 enacted EPIC.
2. Will the state pharmaceutical program be eliminated or scaled back?	Yes. The Executive budget recommendation eliminates funding for EPIC when the Medicare Drug Benefit begins on January 1, 2006. There are about 12,000 individuals enrolled in EPIC – many are anticipated to qualify for the Part D low-income subsidies.
3. Related to wraparound benefits, will the state SPAP help with cost sharing, coordinate with Medicare prescription drug plans, or provide supplemental benefits?	No. The Executive budget recommendation eliminates funding for EPIC. Therefore, costs associated with wrapping-around the Medicare Drug Benefit are <i>not</i> planned.
4. How will the SPAP assist enrollment of clients into the Part D benefit?	<p>The Michigan Medicare/Medicaid Assistance Program (MMA) within the Office for Services to the Aging will provide educational information on the Medicare Drug Benefit, including assistance with Part D enrollment. MMA currently provides free health-benefits counseling for Medicare and Medicaid beneficiaries, their families, and caregivers. Counselors are trained volunteers who give their time and assistance free of charge.</p> <p>To gear up for its Part D outreach, MDCH has convened a steering committee. Participants include representatives from MMA, Department of Human Services, the local Social Security Administration office, the Chicago regional CMS office, Area Aging Agencies, and Community Mental Health.</p> <p>Outreach activities planned are recruitment of additional volunteers, training sessions on Part D benefits, mass media campaigns, and direct mailings to beneficiaries, caregivers, pharmacists, physicians, hospital staff, nursing homes, etc. CMS awarded MDCH a two-year grant of \$1.4 million to help defray the educational and outreach costs related to Part D.</p>
5. Does your state intend for your SPAP to be a qualified SPAP?	No. The Executive budget recommendation eliminates funding for EPIC. Therefore, <i>qualified</i> versus <i>non-qualified</i> designation is not relevant.
6. Do you need legislation for program changes? Is your state agency (Medicaid, eligibility, etc.) working with SSA to provide access to the SSA application and eligibility process?	<p>No. Current assessments do <i>not</i> support the need for additional “state” legislation.</p> <p>MDCH and the Department of Human Services are both working with the Social Security Administration (SSA) regarding the application process for Part D financial subsidies.</p>

Low-Income Subsidy (LIS)	
1. Will your state be prepared to begin making eligibility determination and processing LIS applications by July 1, 2005? If yes, what are your plans and/or progress in meeting the deadline?	Yes. Federal regulations require that states and the SSA accept applications for the low-income subsidies available under the Medicare Drug Benefit by July 1, 2005. MDCH along with the Department of Human Services anticipate meeting this mandate.
2. Will your state use the SSA LIS application form? If no, has your state developed its own LIS application form? If yes, has your state coordinated with SSA?	Yes. Michigan will use the SSA application form. Coordination activities with the local Social Security Administration office have already begun.
3. Does your state have a process to determine eligibility for the LIS for those who request a state determination?	Michigan will follow the SSA application process.
4. Has your state developed a process to screen and enroll for the MSP?	Michigan will use existing procedures to screen individuals for Medicare Savings Programs, which provide assistance paying for Medicare Part B premiums, deductibles, and coinsurance.
5. Will you need systems changes for LIS determinations, data exchange, identification of deemed eligible individuals, phase-down contributions, etc.?	Low-Income Subsidy Determinations - MDCH has provided CMS data files identifying <i>deemed</i> individuals (the duals), who will automatically qualify for the Part D low-income subsidy.  Monthly Data Exchange with CMS - The systems changes to identify the deemed individuals and to support the phased-down state contribution are in progress. Development of requested data files are on schedule to meet CMS deadlines.
6. Has your state developed its systems requirements?	Not applicable. Current assessments are that automation changes are not needed.
7. Is there sufficient funding for the additional staff time needed to complete LIS determinations?	Given budgetary constraints, implementation will be met within existing resources.
8. Does your state plan to provide outreach and education about the LIS?	Yes. The Michigan Medicare/Medicaid Assistance Program (MMAP) within the Office for Services to the Aging will provide educational information on the Medicare Drug Benefit, including the low-income subsidies.
9. Does your state plan to provide outreach and education about the Part D plans beneficiaries can choose?	Yes. The Michigan Medicare/Medicaid Assistance Program (MMAP) within the Office for Services to the Aging will provide educational information on the Medicare Drug Benefit, including assistance with Part D enrollment.
10. Is state legislation to implement changes in the program?	No. Statutory authority is not required for implementation changes.
11. Does your state have plans for your intake workers to receive formal training?	Yes. Plans are underway to provide Part D overview training to intake workers.

**Full-Benefit Dual Eligible Beneficiaries**

1. Do you need legislation to provide Medicaid coverage of drugs excluded from coverage under the Medicare prescription drug benefit for the dual population?	<p>No. Statutory authority already exists to allow Medicaid coverage of the drug classes "excluded" from the Medicare Drug Benefit.</p> <p>Examples of Part D excluded drugs currently covered by Michigan Medicaid include benzodiazepines, barbiturates, and end-stage-renal disease vitamins. The Part D excluded drugs will still qualify for federal matching funds after implementation of Part D. However, no federal Medicaid funding will be available for other drug classes or for assistance with Part D patient cost-sharing or premium payments.</p>
2. Does your state Medicaid agency plan to send notices to full-benefit dual eligible beneficiaries that will lose their Medicaid prescription coverage?	Yes. MDCH will send notices to Medicaid beneficiaries alerting them that their pharmacy benefit will be transitioning to Medicare and that Medicaid will no longer be their primary pharmacy coverage.
3. Has your state Medicaid agency identified its Medicaid enrollees that are full-benefit dual eligible beneficiaries?	Yes. MDCH serves approximately 200,000 beneficiaries who are eligible for both Medicaid and Medicare.
4. When will your state have the ability to report monthly data accurately to CMS on full-benefit dual eligible beneficiaries?	June 15, 2006 as required by CMS
5. Is your state Medicaid agency amending its Medical Assistance Plan to reflect the change accordingly?	Yes. MDCH will comply with CMS guidance for state plan changes.
6. Has your state considered the need to amend the state plan/waivers to remove the drugs covered under Part D?	Yes. Guidelines provided by CMS will be followed for state plan amendments. Initial assessments are that changes to waivers will not be needed.
7. Will your state cover the excluded Part D drugs that are an option under Medicaid?	MDCH expects further guidance from CMS on the excluded Part D drugs. Once this guidance is provided the department will review its coverages.
8. Will your state do outreach to full-benefit dual eligible beneficiaries to help them select a prescription drug plan?	Yes.

**CMS Checklist Item****Comments from the Michigan Department of Community Health**

<b>Phased-Down State Contribution – The Clawback</b>	
1. Have the state contribution payments been budgeted for?	<p>No. The fiscal year 2006 Executive budget recommendation does not include provisions for the phased-down state contribution.</p> <p>CMS will provide states the per-capita contribution in October 2005. Once these amounts and other crucial instructions are available, analysis on budgetary impacts will be addressed.</p>
2. Has your state provided CMS with the data necessary to calculate the phased down state contribution baseline Medicaid Statistical Information System (MSIS) reporting for CY 2003?	<p>Yes. Michigan has provided CMS the baseline data necessary to calculate the phased-down state contribution payments. Beginning January 2006 and thereafter, Michigan must begin paying these payments for its full-benefit dual eligibles enrolled in Part D.</p>
3. Is the state on track to provide the monthly dual eligible enrollment data needed to support the phased down enrolment counts?	<p>Yes. Michigan is on schedule meeting CMS data requirements to provide monthly counts of the dual eligible enrollees.</p>